
PRELICENSING EDUCATION

Educational Objectives

California Fire and Casualty Broker-Agent Examination

OVERVIEW

Section 1677 of the California Insurance Code requires that the Fire and Casualty Broker-Agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has *basic* knowledge of insurance and insurance laws.

Basic knowledge is what this typical new Fire and Casualty Broker-Agent needs to know at the start of one's career.

- (1) The most specific knowledge is required in the following areas:
 - * General insurance concepts and principles
 - * Insurance Code and Ethics
 - * Responsibilities and authority of a Fire and Casualty Broker/Agent
 - * Commercial Property
 - * Commercial Liability
 - * Commercial Automobile
 - * Personal Casualty and Property
 - * Earthquake Coverage
- (2) To a lesser degree knowledge is required of:
 - * Workers' Compensation
 - * Health Insurance
 - * A general understanding of all other lines of insurance
- (3) In addition, generally, the Fire and Casualty Broker-Agent license allows authority to transact insurance products that are not Life Insurance. The list below contains a sample of some of the insurance products that can be transacted with this license.

Automobile Insurance - Insurance that covers the loss exposures presented from the ownership and operation of a personal automobile. Coverage is provided for bodily injury and property damage to others and optionally, coverage for losses to the consumers automobile and occupants of the automobile. Coverage may be available for motorcycles, recreational vehicles, and pick-up type trucks if used on public roads.

Commercial General Liability coverage insures against financial loss due to acts by the insured which cause financial or bodily harm to others. Five forms of liability are covered: premises, operations, products, completed operations and contractual liability.

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Commercial Property coverage applies to real property (such as buildings, factories and warehouses) and business personal property (furniture, fixtures and inventory). It commonly provides time element coverages such as loss of income.

Crop Insurance - Coverage for crops in the event of loss or damage by insured perils including hail, fire, and lightning. Prior to the passage of the Federal Crop Insurance Act in 1938 it was virtually impossible to obtain insurance protection against crop damage. Today coverage is available from the Federal Crop Insurance Corporation as well as from private sources. Exclusions from coverage include the perils of war and nuclear disaster.

Disability - Insurance that provides income payments to the insured wage earner when income is interrupted or terminated because of illness, sickness, or accident. This insurance product can also be transacted with a Life Agent license.

Dwelling Property - Coverage for property damage to a personal dwelling. This will include at least coverage for fire and lightning but can be enhanced to include additional property coverages such as water damage, smoke, and theft. Differs from a homeowners policy in that liability must be added by endorsement.

Earthquake Insurance - Earthquake insurance is a form of property insurance that pays the policyholder in the event of an earthquake that causes damage to the property. Most homeowners' and dwelling fire insurance policies do not include earthquake damage.

Flood - Insurance that compensates for property damage arising flooding. The federal government is primary writer of the coverage which offers the coverage in federally designated flood areas. Flood coverage is excluded on most homeowners and dwelling fire policies.

Health - A policy that will pay specifies sums for medical expenses or treatments. Health policies can offer many options and vary in their approaches to coverage.

Home Warranty Insurance - A home warranty is a service contract, usually covering one year, which helps protect homeowners against the cost of unexpected covered repairs or replacement on their major systems

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and appliances that break down due to normal wear and tear.

Homeowners - A combination of both property and casualty coverages arising out of the ownership of a home. Coverage includes damage to the home, its contents, additional living expenses, and for the insureds personal liability. The homeowners coverage can be used in different formats to insure mobilehomes and farms if owned by an individual.

Indemnity - Risk protection for actions for which a business is liable. Insurance that a business carries to cover the possibility of loss in the event the business failed to meet contractual obligations or when employees commit dishonest acts. Often used in connection with surety and bond policies.

Inland Marine - A broad category of insurance which will cover the personal effects of the consumer which are either not covered under their homeowners policy or the values are greater than in the homeowners policy, for example, jewelry and fine arts.

Liability Coverage - Coverage that protects the insured against claims alleging that a property owner's negligence or inappropriate action resulted in property damage or bodily injury to another. This is most commonly written in conjunction with a dwelling property policy.

Livestock – Coverage for designated horses and other farm animals if they are damaged or destroyed. The insurance includes registered cattle and herds, other farm livestock, and zoo animals. This type of insurance protects the farmer or rancher against the premature death of animals resulting from natural causes, fire, lightning, accidents, and acts of God, acts of individuals other than the owner or employees, and destruction for humane purposes.

Mechanical Breakdown Insurance - An insurance product that helps protect insureds against the cost of unexpected covered repairs or replacement on their autos and motor vehicles that break down due to normal wear and tear beyond the new purchase warranty. The consumer, in most cases, purchases this product direct from the insurance company.

Personal Lines - Property/casualty insurance products that are designed for and bought by individuals, including homeowners and automobile

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policies. Personal Lines is also offered as a limited line license through the California Department of Insurance.

Pet Insurance - This product pays the veterinary costs if your pet is ill or has an accident. Some policies also pay out if the pet dies, is lost or stolen.

Prepaid Legal - Prepaid legal plans are often described as legal insurance plans. The typical plan provides consumers with certain specific legal services at no cost, and reduced rates for other services in exchange for a membership fee, premium, or some other sort of prepayment.

Umbrella Policy - Coverage which is written to provide excess limits over existing liability provisions that a customer may have such as automobile, homeowners, liability, and watercraft policies. May provide additional coverages not provided by the underlying policies.

Watercraft - Insurance that covers the loss exposures from the ownership of a watercraft including the vessel, its contents, and the liability of the owner. Can be modified to cover the use of the watercraft and where it travels.

Workers Compensation Insurance - Insurance that covers medical and rehabilitation costs, lost wages, and death benefits for employees injured at work; required by law in all states

As Section 1749.1b. of the California Insurance Code states, in part, that no prelicensing or continuing education course shall include sales training, motivational training, self-improvement training, or training offered by insurers or agents regarding new products or programs. The license examination shall also exclude those items.

EDUCATIONAL OBJECTIVES

The educational objectives are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187 of the California Code of Regulations.

ETHICS AND CALIFORNIA INSURANCE CODE

The educational objectives for Ethics and California Insurance Code are incorporated in the following pages. The individual objectives may be identified by “(CIC XXXX)” or “(Ethics)” or “(Code)”. References to “Code” or “CIC” in the educational objective mean the California Insurance Code.

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The "General" Ethics and California Insurance Code educational objectives that apply to all lines of authority appear in Appendix A at the end of this document. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.

THE EXAMINATION

The California Department of Insurance's Fire and Casualty Broker-Agent license examination contains 150 multiple-choice questions. The examinees, without any aids (e.g. reference materials, electronic aids), are allowed three hours to answer the 150 question multiple-choice examination.

Passing the examination is the completion of an important first step in a career in insurance and a continuing program of insurance education and experience for this applicant.

All questions are based on "standard" policies; current editions of Insurance Services Office (ISO) policies will be used as the standard where available.

In addition, for examination purposes, the Comprehensive Personal Liability supplement to the Dwelling Program will be considered to be identical to the Homeowners Section II.

Examinations are administered at 8:30 a.m. and 1:00 p.m. Monday through Friday, except on state holidays, at the following locations:

Sacramento:

California Department of Insurance
Examination Site
320 Capitol Mall,
1st Floor
Sacramento, California 95814

Los Angeles:

California Department of Insurance
Examination Site
300 South Spring Street, North Tower,
Suite 1000
Los Angeles, California 90013

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San Francisco:

California Department of Insurance
Examination Site
45 Fremont Street
22nd Floor
San Francisco, California 94105

San Diego:

California Department of Insurance
Examination Site
1350 Front Street
Room 4050
San Diego, California 92101

Please check-in at 8:10 a.m. for the 8:30 a.m. examination and check-in at 12:40 p.m. for the 1:00 p.m. examination.

In addition, the California Department of Insurance offers a license examination that is usually administered on the first and third Saturdays of the month. This examination is held at the following location:

Clovis:

California Department of Insurance
Examination Site
San Joaquin College of Law
901 Fifth Street,
MCLE Room 213
Clovis, California 93612

Please note that this examination begins at 8:30 a.m. Check-in time for this examination is 8:00 a.m.

For additional information on license examinations (i.e. online examination scheduling, fingerprint requirements, examination admittance and forms of identification, check your scheduled examination date, check your examination results), please review the following link:

<http://www.insurance.ca.gov/0200-industry/0010-producer-online-services/0200-exam-info/index.cfm>

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 - A. Basic Insurance Concepts and Principles
 - B. Contract Law
 - C. The Insurance Marketplace
 - 1. Distribution Systems
 - 2. Producers
 - 3. Insurers
 - 4. Market Regulation - General
 - 5. Excess and Surplus (E&S) Line
- II. PROPERTY AND LIABILITY BASICS**
 - A. Basic Legal Concepts - Tort Law
 - B. Property and Liability Basics
 - C. Property and Liability Policies - General
- III. PERSONAL LINES INSURANCE** (35 percent of questions)
 - A. Dwelling Insurance
 - 1. Dwelling Insurance - General Concepts
 - 2. Dwelling Fire /Homeowners Section I
 - 3. Homeowners Section II / Comprehensive Personal Liability
 - 4. Selected Homeowners Endorsements
 - B. Inland Marine
 - 1. Inland Marine - General Concepts
 - 2. Inland Marine - Personal Insurance
 - 3. Personal Watercraft - Personal Insurance
 - C. Government / Pools / Catastrophe - Property Insurance
 - 1. Earthquake coverage
 - 2. National Flood Insurance
 - D. Personal Auto
 - 1. Personal Auto - General
 - 2. Personal Auto - Liability / Medical/ Uninsured Motorists
 - 3. Personal Auto - Physical Damage / Miscellaneous
 - 4. California Automobile Assigned Risk Plan (CAARP)
 - 5. Motorcycles
 - 6. Recreational Vehicles
 - E. Umbrellas and Excess Liability Insurance
 - F. Low-Cost Automobile Insurance
 - G. New Developments - Personal Lines

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- IV. HOMEOWNERS' INSURANCE VALUATIONS** (2 percent of questions) (Section 1749.85 of the CIC)
- A. General Concepts
 - B. Dwelling
 - C. Earthquake Coverage
 - D. California Fair Access to Insurance Requirements (FAIR) Plan
 - E. Fire Mitigation
- V. COMMERCIAL COVERAGES** (27 percent of questions)
- A. ISO Commercial Package Program
 - B. Commercial Property
 - 1. Commercial Property - General
 - 2. Building and Personal Property Coverage Form
 - 3. Causes of Loss Form(s)
 - 4. Property Indirect Damage Insurance
 - 5. Other endorsements / Coverages
 - C. Liability Concepts
 - 1. Claims Made
 - D. Commercial General Liability
 - 1. Commercial General Liability –General
 - 2. CGL Coverage Form (Occurrence)
 - 3. Professional Liability
 - 4. Management Liability
 - E. Commercial Coverages
 - 1. Umbrella and Excess Liability
 - 2. Commercial Crime
 - F. Equipment Breakdown Protection Coverage (aka-Boiler and Machinery)
 - G. Commercial Inland Marine
 - H. Commercial Auto
 - 1. Commercial Auto - General
 - 2. Business Auto Coverage
 - 3. Garage Auto Coverage
 - 4. Truckers Coverage
 - I. Farm
 - J. National Flood - Commercial
 - K. Businessowners
 - 1. Businessowners - General
 - 2. BOP Property Coverage
 - 3. BOP Liability Coverage
 - L. Ocean Marine
 - M. Surety Bonds (and General Bond Concepts)

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- N. Worker's Compensation - General Concepts
- O. New Developments - Commercial Lines

VI. HEALTH AND DISABILITY INCOME INSURANCE (5 percent of questions)

- A. Health and Disability Insurance - General
- B. Medical Expense Insurance
- C. Health Insurance and Counseling Advocacy Program (HICAP)
- D. Disability Income Insurance
- E. Senior Health Products / Medicare and Medi-Cal

VII. Long Term Care (included in VI. Health and Disability Income Insurance)

APPENDIX A – ETHICS AND CALIFORNIA INSURANCE CODE (12 hour-educational objectives)

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I. GENERAL INSURANCE (31 percent of questions - including II. P&L Basics)

I. A. Basic Insurance Concepts and Principles

1. Be able to identify examples of insurance (as defined in section 22 of the CIC).
2. Be able to recognize the definition of risk.
3. Be able to differentiate between a pure risk and a speculative risk.
4. Be able to identify a definition of peril.
5. Be able to identify a definition of hazard.
6. Be able to differentiate between moral, morale, physical and legal hazards.
7. Be able to identify the definition of the law of large numbers.
8. Be able to identify a definition or the correct usage of the terms loss and loss exposure, e.g. property loss exposure, liability loss exposure, human personnel loss exposure.
9. Be able to recognize the requisites of an ideally insurable risk.
10. Be able to identify the definition of insurable events, section 250 of the CIC.
11. Be able to identify and apply the definition of insurable interest, and indemnity, and be able to recognize the applicability of these terms to a given situation.
12. Be able to identify why private insurers underwrite the insurance applications they receive.
13. Be able to identify the major types of private insurers:
 - a. Stock insurance companies;
 - b. Mutual insurance companies;
 - c. Reciprocal insurance exchanges; and,
 - d. Fraternal organizations.
14. Be able to identify the meaning of adverse selection and spread of risk.
15. Be able to identify the benefits and the costs of insurance to society (e.g. loss control, loss payments, securing credit, etc.).

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16. Be able to identify that the alternative funding method known as self-funding has benefits tailored to the group.
17. Be able to identify a correct explanation of the role of deductibles in insurance.
18. Be able to identify the major medical deductibles:
 - a. multiple expenses for one individual apply to the stated deductible;
 - b. expenses of several family members apply to the stated deductible; and,
 - c. only sick care expenses apply to the stated deductible.
19. Be able to identify:
 - a. a definition of reinsurance, section 620 of the CIC, and,
 - b. the purposes of insurers obtaining reinsurance.
20. Be able to identify that for regulatory purposes:
 - a. the Insurance Code divides lines of insurance into classes, section 100 of the CIC; and,
 - b. defines these classes, sections 101 through 120 of the CIC.

I. GENERAL INSURANCE

I. B. Contract Law

1. Be able to identify and compare contract law and tort law.
2. Be able to identify the four major elements of a contract (agreement, competent parties, legal purpose, and consideration).
3. Be able to identify the meaning and effect of the following special characteristics of an insurance contract:
 - a. contract of adhesion;
 - b. conditional contract;
 - c. aleatory;
 - d. unilateral;
 - e. personal;
 - f. utmost good faith; and,
 - g. indemnity.
4. Be able to identify the term insurance policy, section 380 of the CIC.
5. Be able to identify the meaning and effect of each of the following on a contract:
 - a. fraud, sections 338 and 1871.2 of the CIC;

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- b. concealment, sections 330 through 339 of the CIC;
 - c. warranty (expressed/implied), sections 440 through 445 and 447 of the CIC;
 - d. an implied warranty qualifies as a representation in an insurance contract, section 354 of the CIC;
 - e. materiality, section 334 of the CIC;
 - f. representations, sections 350 through 361 of the CIC;
 - g. misrepresentation, sections 780 through 784 of the CIC; and;
 - h. waiver and estoppel.
6. Be able to identify six required specifications for all insurance policies, section 381 of the CIC.
7. Be able to identify:
- a. the meaning of the term rescission; and,
 - b. when an insurer has the right of rescission, sections 331, 338, 359, and 447 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C1. Distribution Systems

1. Be able to differentiate between the four principal marketing distribution systems (Independent/Exclusive Agencies and Direct Writing/Direct Mail System) or internet in terms of:
- a. contractual and ownership relationships between the producer and the insurer; and,
 - b. marketing methods.

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I. C. The Insurance Marketplace

I. C2. Producers

1. Given a situation involving the legal relationship of an insurance agent and either a principal (insurer or agency principal) or an insured/applicant, be able to assess:
- a. the legal relationships;
 - b. the responsibilities and duties of each; and,
 - c. the effect of the types of authority an agent may have (express / implied / apparent).

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2. With regard to the underwriting of applicants and /or insureds, be able to:
 - a. identify a producer's responsibilities; and,
 - b. differentiate between the limitations placed on insurer pre-selection and post-selection activities.
3. Be able to identify and compare the following:
 - a. insurance agent, section 1621 of the CIC, e.g. a person authorized by and on behalf of an insurer to transact insurance;
 - b. insurance broker, section 1623 of the CIC, e.g. someone paid for transacting insurance on behalf of another person;
 - c. insurance solicitor, section 1624 of the CIC; must be appointed by an agent or broker who holds a permanent fire and casualty license;
 - d. managing general agent, section 769.81c and 1735 of the CIC
 - (1) Know that an MGA can be any person, firm, association, partnership, or corporation that manages all or part of an insurer's business (including a separate division, department or underwriting office);
 - (2) Know that an MGA acts as an agent and produces and underwrites gross direct written premium equal to or more than 5 percent of the policyholder surplus as reported in the insurer's last annual statement and either:
 - (a) adjusts or pays claims in excess of an amount determined by the Commissioner, or;
 - (b) negotiates and binds ceding reinsurance on behalf of the insurer, section 769.81(c) of the CIC.
 - e. administrator (CIC 1759), e.g. a person who collects premium from or who settles claims for residents in this state in conjunction with life or health insurance coverage;
 - f. fire and casualty licensee, section 1625 of the CIC;
 - g. personal lines licensee, section 1625.5 of the CIC;
 - h. be able to identify the coverages a personal lines licensee may and may not transact, section 1625.5 through section 1630 of the CIC.
 - i. insurance adjuster, section 14021 of the CIC;
 - j. public insurance adjuster, section 15007 of the CIC; and,
 - k. surplus line and special surplus line broker, section 1761 of the CIC.
4. Be able to identify the Code definition of transact and why the definition is important, sections 35, 1621 through 1624, 1631, and 1633 of the CIC.
5. Be able to identify what constitutes transaction of insurance, section 35 of the CIC:

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- a. Solicitation, section 35a. of the CIC;
 - b. Negotiation, section 35b. of the CIC;
 - c. Execution of a contract of insurance, section 35c. of the CIC; and,
 - d. Transaction of matters subsequent to and arising out of a contract of insurance, section 35d. of the CIC.
6. Be able to identify:
- a. that the Code prohibits certain actions by unlicensed persons (CIC 1631);
 - b. the penalty for such ("a." above) prohibited actions (CIC 1633).
7. Be able to identify the Code statements regarding a broker-agent's status when appointed as an agent, section 1731 of the CIC.
8. Be able to differentiate between an insurance agent, an insurance broker and an insurance solicitor, sections 31, 1621, 33, 1623, 34, 1624, and 1625 of the CIC.
- a. Know that Sections 1625.55 through 1625.57 of the CIC states that the Limited Lines Automobile Insurance Agent license is an "agent" license;
 - b. Know that Section 1625.55 c. of the CIC further defines that the Limited Lines Automobile Insurance Agent must be endorsed or appointed in order to act as an agent of a business entity or an insurer; and,
 - c. Know that the language in the California Insurance Code precludes the Limited Lines Automobile Insurance Agent from being authorized to "broker" limited lines automobile insurance business and that broker fees are precluded from being charged under this license.
9. Be able to identify the purpose, duties and authority of an agency for the following:
- a. applications;
 - b. binders, section 382.5 of the CIC and section 2274 of the CCR;
 - c. certificates of liability insurance and evidence of property insurance;
 - d. renewal responsibilities;
 - e. suspense/diary system; and,
 - f. lost policy release.
10. For Insurance Agent's Errors & Omissions insurance, be able to identify:
- a. the types of coverages available;
 - b. the types of losses commonly covered/not covered; and,
 - c. the need for the coverage.
11. Be able to identify acts prohibited (unless licensed as a surplus line broker) with regard to nonadmitted insurers, section 703 of the CIC. The following link will

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provide the notice for the new Surplus lines rules:

http://www.insurance.ca.gov/0200-industry/0050-renew-license/0200-requirements/upload/Revised_Notice_Surplus_Lines_License.pdf

12. Be able to identify the basic prohibitions contained in section 703.5 of the CIC.
13. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033.
14. Be able to identify what civil and criminal penalties apply, Title 18 United States Code, Sections 1033 and 1034.
15. Be able to identify the requirements and penalties in the Code with regard to insurance in connection with sales or loans, sections 770 through 770.1, 771, and 773 through 774 of the CIC, and section 2114 of the CCR.
16. Be able to identify the rules regarding insurance in connection with sales and loans, section 776 of the CIC.
17. Be able to identify the prohibitions of free insurance, section 777.1 of the CIC.
18. Be able to identify the Code requirements for Fire & Casualty agents regarding the following:
 - a. agency name, use of name, sections 1724.5 and 1729.5 of the CIC;
 - b. display of license, section 1725 of the CIC;
 - (1) Be able to identify the rules regarding displaying the license, section 1725 of the CIC.
 - c. records, sections 1727 through 1727.2 and 1730.5 of the CIC;
 - d. Be able to identify what records must be maintained, where, in what form, for how long, and what penalties may be imposed for noncompliance, Title 10 CCR § 2190 through 2190.8, section 1747 of the CIC;
 - e. office location, section 1728 through 1729 of the CIC;
 - f. change of address, section 1729 of the CIC;
 - g. premium finance disclosures, section 778.02 and 1730.6 of the CIC;
 - h. filing license renewal application, section 1720 of the CIC;
 - i. printing license number on documents, section 1725.5 of the CIC;
 - j. Be able to identify the rules regarding fictitious names, section 1724.5 of the CIC;
 - k. Be able to identify the rules regarding Internet advertisements, section 1726 a. of the CIC; and,

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- I Be able to identify the licensee's duty for disclosure of the effective date of coverage, section 1730.5 of the CIC.
- 19. Be able to identify regulation regarding charges for extra services e.g. mandated procedures to follow when a broker fee is charged.
- 20. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license, sections 1666, 1668 through 1669 and 1738 of the CIC.
- 21. Be able to identify the importance and the scope of the Code regarding:
 - a the filing of a notice of appointment, sections 1673 and 1704 through 1705);
 - b. an inactive license, section 1704 (a) of the CIC; and,
 - c. cancellation (surrender) of a license by the licensee in the licensee's possession or in the employer's possession, section 1708 of the CIC.
- 22. Be able to identify the scope and effect of the Code regarding termination of a (producer) license including when producers dissolve a partnership, sections 1708 through 1712.5.
- 23. Be able to identify:
 - a. the definition of the term "fiduciary"; and,
 - b. producer fiduciary duties described in the Code, sections 1733 through 1735.5.
- 24. Be able to identify what kind of return premium offsets are and are not permissible, section 1735.5 of the CIC.
- 25. Be able to identify the continuing education requirements for:
 - a. Fire & Casualty insurance agents, sections 1749.3 of the CIC;
 - b. agents writing Long Term Care Insurance, section 10234.93 of the CIC; and,
 - c. agents writing California Partnership coverage (must meet LTC requirements PLUS four hours a year for "junior agents" and eight hours every two years for "seniors" of CA partnership education.) The total hours of CE required are not increased by b. or c. The following link will provide information regarding continuing education requirements for the California Partnership:

<http://www.insurance.ca.gov/0200-industry/0200-prod->

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licensing/0400-other-info/0800-questions-answers/general-faq/california-partnership-long-term-care.cfm

The following Educational Objective is derived from the ethics and California Insurance Code of major industry organizations and is the basis for test questions.

26. Be able to identify and apply the meaning of the following:
 - a. place the customer's interest first;
 - b. know your job - and continue to increase your level of competence;
 - c. identify the customer's needs and recommend products and services that meet those needs;
 - d. accurately and truthfully represent products and services;
 - e. use simple language; talk the layman's language when possible;
 - f. stay in touch with customers and conduct periodic coverage reviews;
 - g. protect your confidential relationship with your client;
 - h. keep informed of and obey all insurance laws and regulations;
 - i. provide exemplary service to your clients; and,
 - j. avoid unfair or inaccurate remarks about the competition.
27. Be able to identify that the California Insurance Code and the California Code of Regulations identify many unethical and/or illegal practices but they are NOT a complete guide to ethical behavior.
28. Be able to identify the personal lines requirement for providing the effective date of coverage to insureds /applicants, section 1730.5 of the CIC.
29. Know what a licensee must do to surrender their license. Know what an employer must do to terminate a licensee's license, section 1708 of the CIC.
30. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews, section 791.03 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C3. Insurers

1. Be able to differentiate between:
 - a. admitted and non-admitted insurers, section 24 through 25 of the CIC;
 - b. domestic, foreign or alien insurers, section 26 through 27 and 1580 of the CIC:
 - (1) an excess and surplus lines insurer writes standard coverages

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- in a state where the insurer is unlicensed; and,
- (2) A standard market insurer is an insurer who offers rates for insurance coverage to insureds who have an average or better than average loss exposure.
 - c. Be able to differentiate between regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers, sections 24, 25, 1760 through 1780 of the CIC; and,
 - d. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, section 703 of the CIC.
- 2. Be able to identify the functions of the following major operating divisions of insurers: Marketing /Sales, Underwriting, Claims, Actuarial.
 - 3. Be able to identify market conduct regulations as the state laws that regulate insurer practices regarding underwriting, sales, ratemaking, and claims handling.
 - 4. Be able to identify who may be an insurer, section 150 of the CIC.
 - a. person, association, organization, partnership, business trust, limited liability company or corporation (CIC 19).
 - 5. Be able to identify the Code definition of insolvency, section 985 of the CIC.
 - 6. Be able to differentiate between Mutual, Stock and Fraternal insurers.
 - a. know that de-mutualization is a process whereby a mutual insurer becomes a stock company, section 11535 of the CIC.
 - 7. Be able to identify Reciprocal and Risk Retention groups, and the limitations on state regulation of risk retention groups under the federal Liability Risk Retention Act, and the possible impact on consumers, section 125 through section 140 of the CIC and Title 15 United States Code Sections 3901.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C4. Market Regulation - General

- 1. Be able to identify the purpose of insurance regulation and the significance of the McCarran-Ferguson Act (a.k.a. Public Law 15 [1945]).
- 2. Be able to identify:
 - a. the California Insurance Code (CIC) and how it may be changed;
 - b. the California Code of Regulations (CCR Title 10, Chapter 5) and how it

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- may be changed; and,
 - c. how the insurance commissioner is selected and the responsibilities of the position, sections 12900 and 12921 of the CIC.
- 3. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties, sections 790 through 790.10 of the CIC.
- 4. Be able to identify the privacy protection provisions of:
 - a. The Gramm-Leach-Bliley Act
 - (1) Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions
 - (2) Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information;
 - b. The California Financial Information Privacy Act (SB1);
 - c. Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties, sections 791 through 791.26 of the CIC;
 - d. Cal-GLBA/"California Financial Information Privacy Act," Section 4050 California Financial Code;
 - e. Health Insurance Portability and Accountability Act (HIPAA).
- 5. Be able to identify the scope and correct application of the conservation proceedings described in the Code (CIC 1011, 1013, and 1016).
- 6. Be able to define an insolvent insurer, section 985 of the CIC .
 - a. The definition of an insolvent insurer includes either:
 - (1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere; and,
 - (2) An inability of the insurer to meet its financial obligations when they are due;
 - b. Know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance, section 985.(a) (1 and 2) of the CIC;
 - c. Know the definition of Paid-in Capital, sections 36 and 985 of the CIC; and,
 - d. Know that it is a misdemeanor to refuse to deliver any books, records, or

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assets to the Commissioner once a seizure order has been executed in an insolvency proceeding, section 1013 of the CIC.

7. Be able to identify the purpose and scope of the Code with regard to:
 - a. the California Insurance Guarantee Association, sections 1063 (a-c) and, 1063.1 (a), (b), (c) (1) (2) of the CIC;
8. Be able to identify:
 - a. common circumstances that suggest the possibility of fraud; e.g. that if an insured signs a claim form for a claim which is fraudulent, the insured may be found guilty of perjury; and,
 - b. efforts to combat fraud, sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, and 1877.3 (b) (1) of the CIC.
9. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the California Insurance Code, sections 1871.1 through 1871.4c, and 1872.5.
10. Be able to identify discriminatory Fire and Casualty practices prohibited by the California Insurance code, sections 679.70 through 679.73, and 10140 through 10145.4.
11. Be able to identify the requirements for rates to be approved or remain in effect, section 1861.05(a) of the CIC.
12. Be able to identify:
 - a. the types of rating laws (prior approval, file & use, use & file, open competition); and,
 - b. the system used by the state of California to regulate rates for most property and casualty insurance written in California (prior approval), section 1861.05(c) of the CIC.
13. As used by the Code, be able to identify the meaning of:
 - a. "shall" and "may," section 16 of the CIC; and,
 - b. "person," section 19 of the CIC.
14. Be able to identify the requirements for notice by mail, section 38 of the CIC.
15. Fair Claims Settlement Practices Regulations
 - a. Be able to identify a definition of the following:
 - (1) Claimant, Title 10, California Code of Regulations 2695.2 (c);

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- (2) Notice of Legal Action, Title 10, California Code of Regulations 2695.2 (o); and,
- (3) Proof of Claims, Title 10, California Code of Regulations 2695.2 (s).
- b. Be able to identify File and Record Documentation, Title 10, California Code of Regulations 2695.3.
- c. Be able to identify Duties Upon Receipt of Communications, Title 10, California Code of Regulations 2695.5; and,
- d. Be able to identify Standards for Prompt, Fair and Equitable Settlements, Title 10, California Code of Regulations 2695.7, especially subsections (a), (b), (c), (g), and (h).

I. GENERAL INSURANCE

I. C5. Excess and Surplus (E&S) Lines

- 1. With regard to surplus lines, be able to identify:
 - a. what the term "surplus lines" means;
 - b. the marketplace needs met by surplus lines;
 - c. the requirements to be met before a risk may be placed with a surplus lines insurer;
 - d. how surplus lines and special lines surplus lines brokers interact with agents;
 - e. the absence of binding authority when placing business through excess and surplus lines brokers, section 1764.2 of the CIC;
 - f. the non-standard nature of the coverages provided;
 - g. conditions that must be met before business may be obtained from these carriers, section 1761 of the CIC; and,
 - h. what the List of Eligible Surplus Lines Insurers (LESLI) is. The following link will provide access to this list:

<http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/eligible-surplus-line/index.cfm>

II. PROPERTY AND LIABILITY BASICS

II. A. Basic Legal Concepts - Tort Law

- 1. Be able to identify the types of wrongs that are dealt with by tort law including:
 - a. intentional torts;
 - b. negligence;
 - c. absolute liability; and,
 - d. strict liability.

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2. Be able to recognize and identify:
 - a. the four essential elements of negligence (duty / breach / injury / unbroken chain);
 - b. whether all four elements are present in a described situation;
 - c. the principle of "proximate cause"; and,
 - d. legal defenses against "negligence."
3. Be able to identify:
 - a. the reasons for the absolute and strict liability doctrines and recognize situations in which they would apply; and,
 - b. examples of intentional torts (e.g. libel, slander, false arrest).
4. Be able to identify definitions of gross negligence and vicarious liability.
5. Be able to identify types of damages: punitive and compensatory, which includes special and general damages.
6. Be able to recognize the difference between comparative and contributory negligence doctrines.
7. Be able to compute a loss payment applying the doctrines of:
 - a. comparative negligence; and,
 - b. contributory negligence.
8. Be able to apply the assumption of the risk doctrine.
9. Be able to identify:
 - a. the ways a pure no-fault law would modify a tort liability system; and,
 - b. the major differences between "pure no-fault" and "modified no-fault" laws.

II. PROPERTY AND LIABILITY BASICS

II. B. Property and Liability Basics

1. Be able to identify the major services provided by the following independent rating organizations:
 - a. Insurance Services Office (ISO) is the advisory organization that develops forms for the standard market;
 - b. California Workers' Compensation Inspection Rating Bureau, section 11750.3 of the CIC:
 - (1) provides reliable statistics and rating information regarding workers'

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- compensation and employer's liability insurance;
 - (2) collect and tabulate information and statistics for the purpose of developing pure premium rates to be submitted to the commissioner for issuance or approval; and,
 - (3) inspect risks for classification or rate purposes and to furnish to the insurer and upon request of the employer.
- 2. Be able to recognize the principle risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.
- 3. Be able to identify the difference between direct and indirect (consequential) property losses.
- 4. Be able to recognize common indirect loss exposures.
- 5. Be able to identify the methods commonly used by risk managers to deal with risk.
- 6. Be able to identify the terms of expense, loss, and combined ratios.
- 7. Be able to identify the following terms:
 - a. "all-risk" (an old term still commonly used and understood within the insurance industry, but a term often misunderstood by the general public);
 - b. "open peril" / "special form" (terms commonly used in place of "all-risk" in today's policies);
 - c. "named peril"; and,
 - d. "concurrent causation."
- 8. Be able to identify the terms and differentiate between:
 - a. short rate / flat rate / pro-rata cancellation;
 - b. cancellation / non-renewal / lapse; and,
 - c. unearned / earned premium and be able to identify their correct computation.
- 9. Be able to differentiate between the terms "judgment rating," "merit rating," and "manual rating."
- 10. Be able to identify and apply the meaning of claims terms (e.g. first party, third party, subrogation, arbitration, etc.).
- 11. Be able to define the term "loss reserve, e.g. estimate of the amount

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that an insurer will pay for a claim.

12. Be able to identify the requirements to be met to assign a policy from one insured to another.
13. Be able to differentiate between property and liability insurance coverages.
14. Be able to identify a definition of "loss cost rating" and the reason for its use.
15. Be able to identify:
 - a. the requirement for an insurable interest to exist, section 280 of the CIC;
 - b. when insurable interest is required to exist under property insurance policies, section 286 of the CIC; and,
 - c. that contingent or expectant interests are not insurable, section 283 of the CIC.
16. Be able to apply the term "concurrent cause" to a loss where two perils are involved the same time and one peril is covered and the other is excluded.

II. PROPERTY AND LIABILITY BASICS

II. C. Property and Liability Policies - General

1. Be able to identify a description of:
 - a. the major components of insurance policies (e.g. declarations, insuring agreements, definitions, conditions, exclusions, endorsements, etc.)
 - b. common policy provisions (e.g. insured's right to cancel, assignment of policy, supplementary payments, severability, liberalization, etc.) and coverages (removal and debris removal).
2. Recognize that property insurance policies contain many items except the insured's address, section 2071 of the CIC.
3. Be able to identify and compute loss payments for:
 - a. the different types of valuation commonly used in insurance policies. (actual cash value, replacement cost, market value, agreed value, and stated value); and,
 - b. a valued policy, sections 2053 and 2054 of the CIC.
4. Be able to identify the protection of a mortgagee's interest contained in most mortgage clauses.

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5. Be able to identify the definition and effect of a concurrent vs. non-concurrent policy.
6. Be able to identify the Code requirements pertaining to policy cancellation / failure to renew, sections 481.5, 660 through 669.5, 670, 673, and 675 through 679.6 of the CIC.
7. Be able to identify restrictions regarding referral of auto insureds to repair facilities, section 753 of the CIC.
8. Be able to differentiate the California Standard Form Fire Insurance Policy from the Standard Fire Policy (158 vs. 165 lines).
9. Be able to describe the provisions in both Personal Lines as it relates to Microbial Matter Exclusions.
10. Be able to identify the following unlawful practices:
 - a. Additional Standards Applicable to Automobile Insurance, California Code of Regulations 2695.8 e.; and,
 - b. Requirements, suggestions, or recommendations by insurer regarding repair of automobiles at specific automobile repair dealers; conditions; disclosure; powers of commissioner, section 758.5 of the CIC.

III. PERSONAL LINES INSURANCE (37 percent of questions)

III. A. Dwelling Insurance

III. A1. Dwelling Insurance – General Concepts

1. Be able to identify which applicants are eligible for each of the Homeowners products (HO- 3, 4, 5, and 6).
2. Be able to match the Homeowners products (HO- 3, 4, 5, and 6) with consumers needs.
3. Be able to differentiate the California Standard Form Fire Insurance Policy from the Standard Fire Policy (158 vs. 165 lines).
 - a. Be able to differentiate between an open policy and a valued policy, sections 411, 412 of the CIC;
 - b. Be able to identify the meaning of warranty and its effect on a policy, section 440 through section 449 of the CIC; and,

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- c. Be able to identify the laws governing return of premium, section 481 through section 487 of the CIC.
- 4. Be able to identify the major similarities and differences between an HO-3, and HO-5.
- 5. Be able to identify the major similarities and differences of an HO-4, and HO-6.

III. PERSONAL LINES INSURANCE

III. A. Dwelling Insurance

III. A2. Dwelling Fire /Homeowners Section I

- 1. For the Dwelling Program, be able to identify the major differences between the three forms (Basic, Broad and Special) in terms of:
 - a. the coverages included;
 - b. perils insured; and,
 - c. know that "collapse" is an additional coverage that is provided in a DP 3, and which is not included in a DP 1.
- 2. The following items refer to the ISO HO-3 contract
 - a. Be able to identify who is or is not an "insured" as defined for Section I.
 - b. Be able to identify for coverages A, B and C (Dwelling, Other Structures, Personal Property):
 - (1) the kinds of property insured, e.g. paint for the interior of the building is personal property that is included under coverage A;
 - (2) the valuation basis used for the property;
 - (3) the kinds of property excluded;
 - (4) the kinds of property with special (sub) limits - and for which perils, e.g. watercraft has special limits;
 - (5) the perils insured against and/or the perils excluded; and,
 - (6) how coverage applies to a described loss.
 - c. Be able to identify the extent Coverage D (Loss of Use) applies to a described loss.
 - d. Be able to identify the coverage available for debris removal and property removal under the HO Property Coverages - Additional Coverages.
 - e. Be able to identify the effect of the exclusions: Earth Movement and Flood (including the coverage provided for ensuing losses).
 - f. Be able to identify the insured's duties after a loss (Section I Conditions).
 - g. Given an example, be able to recognize the applicability of the Ordinance or Law exclusion and its relationship to California requirements, i.e. know that the ordinance or law exclusion excludes the additional cost necessary

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- to make a restroom American Disability Act (ADA) compliant; and,
- h. Be able to identify:
- (1) the requirements and definitions of the California Residential Property Insurance Disclosure statement, sections 10101 and 10102 of the CIC;
 - (2) that the form contains only a general description of coverages and is NOT part of the residential policy; and,
 - (3) replacement cost and building code upgrade options.

III. PERSONAL LINES INSURANCE

III. A. Dwelling Insurance

III. A3. Homeowners Section II / (Comprehensive Personal Liability)

1. Be able to identify the two major coverages provided in this section.
2. Be able to identify common liability loss exposures covered or excluded.
3. For a described loss, be able to identify who would be covered under Medical Payments to Others.
4. Be able to identify the vehicles commonly insured/ not insured by the basic policy.
5. Be able to identify properties included in:
 - a. Insured Locations; and,
 - b. Residence Premises.
6. Be able to identify losses covered under the homeowners' watercraft endorsement.

III. PERSONAL LINES INSURANCE

III. A. Dwelling Insurance

III. A4. Selected Homeowners Endorsements

1. Be able to identify the effect of attaching the Mobilehome Endorsement to a Homeowners Policy.
2. Be able to identify the major effects of the following:
 - a. Workers' Compensation - Residence Employees (CA) endorsement - (not optional statutory benefits provided under CA law);
 - b. Other Structures - Increased Limits endorsement;

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- c. Scheduled Personal Property endorsement (also see Section III.B2.2), i.e. be able to identify that the scheduled personal property endorsement covers breakage of glassware caused by an earthquake;
- d. Inflation Guard endorsement;
- e. Personal Property - Replacement Cost endorsement;
- f. Personal Injury endorsement;
- g. Additional Residence Rented to Others; and,
- h. Home business coverage endorsements as compared to commercial policies.

III. PERSONAL LINES INSURANCE

III. B. Inland Marine

III. B1. Inland Marine - General Concepts

- 1. Be able to recognize why some lines are filed, some non-filed and what the advantages and disadvantages of this difference are.
- 2. For Inland Marine policies, be able to identify:
 - a. most are written on an open-peril basis;
 - b. the principal types of exclusions; and,
 - c. the special valuation provisions.
- 3. Be able to identify why mobility is a common characteristic of many types of property insured under Inland Marine contracts.
- 4. Know that an annual transit policy is usually provided on a named peril basis.

III. PERSONAL LINES INSURANCE

III. B. Inland Marine

III. B2. Inland Marine - Personal Insurance

- 1. Be able to compare the Personal Articles Floater (PAF) and the Homeowner's "Scheduled Personal Property Endorsement" (they provide the same coverage).
- 2. With regard to the Scheduled Personal Property endorsement:
 - a. be able to identify the uninsured loss exposures that might cause an HO-3 homeowners insured to add this endorsement;
 - b. be able to identify what effect insuring property under this endorsement has on coverage C of a Homeowners policy; and,
 - c. Be able to identify the restrictions on "insured locations and "insured perils" in property policies.

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3. Be able to identify the limited coverage that is available in the Watercraft endorsement under the Homeowners Program.

III. PERSONAL LINES INSURANCE

III. B. Inland Marine

III. B3. Personal Watercraft - Personal Insurance

1. Be able to identify why a boat owner, insured under a Homeowners Policy, might still need Boatowners type coverages.
2. Be able to identify the typical coverages provided
 - a. liability operations liability, passenger liability and flotilla liability;
 - b. medical payments; and,
 - c. physical damage coverage
3. Be able to identify the coverage normally afforded by the yacht policy (Hull, boat trailers, Protection and Indemnity - [P&I])
4. Be able to identify the coverage provided by P&I that is not provided by other boat liability coverages.

III. PERSONAL LINES INSURANCE

III. C. Government / Pools / Catastrophe - Property Insurance

III. C1. Earthquake Coverage

1. Be able to identify the major personal insurance policy coverage that insures against losses caused by earth movement (e.g. Personal Auto: other-than collision / comprehensive coverage).
2. Be able to identify correct statements about:
 - a. requirements for insurers to offer earth movement coverage, sections 10081 and 10084 of the CIC; and,
 - b. state or federal facilities such as the California Earthquake Authority (CEA) that provide coverage for this peril to major segments of the dwelling market, sections 10089.6, 10089.26, and 10089.28 of the CIC.
3. Be able to identify the advantages / disadvantages (if any) of earthquake type deductible vs. commonly used property deductibles.

III. PERSONAL LINES INSURANCE

III. C. Government / Pools / Catastrophe - Property Insurance

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III. C2. National Flood Insurance

1. Be able to identify the major personal insurance policy coverage that insures against losses caused by flood. (e.g. Personal Auto: other-than collision or comprehensive coverage).
2. For the National Flood program (Federal Registry, Volume 70, Number 169, pages 52117-52119, September 1, 2005), be able to identify the following:
 - a. the types of properties eligible for coverage under the program (applies to both personal and commercial property);
 - b. the principal coverage provided by the contract and limitations for making claims;
 - c. risks eligible for the program, differentiating between the emergency program and the regular program;
 - d. who may place business with the program (any licensed broker-agent);
 - e. an agent's binding authority; and,
 - f. that program dollar limits for coverages are specified.

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D1. Personal Auto - General

1. Be able to differentiate between a private passenger vehicle and a commercial vehicle:
 - a. know that RV's are generally both designed as and used as private passenger vehicles, not commercial vehicles;
 - b. once a Recreational Vehicle is added to the PAP, the existing coverage of the PAP is extended to this added vehicle; and,
 - c. know that under CIC 660a.(1), a 6-wheel RV would be considered a private passenger vehicle
2. Be able to identify the financial responsibility law requirements, sections 16020, 16021, 16025, and 16451 of the CA Vehicle Code (CVC).
3. An agent must be aware of how the particular personal auto policy being sold to the consumer may differ from the ISO Personal Auto Policy (PAP)
4. Be able to identify:
 - a. the (ISO) eligibility requirements for a Personal Auto Policy (PAP);
 - b. who is an insured including the provisions regarding how the policy responds when an insured is no longer a spouse living in the same household, e.g. any person qualifies as an insured while using a covered

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- auto;
 - c. the policy territorial limits;
 - d. the difference between "share-the-expense car pools" and "for-hire" situations;
 - e. the coverage that applies to newly acquired auto and "your covered auto"; and,
 - f. the coverage that applies to a non-owned private passenger auto rented by an insured while on a short vacation.
- 5. Be able to identify situations in which the policy provides:
 - a. primary coverage;
 - b. excess coverage; and,
 - c. special physical damage.
- 6. Be able to identify:
 - a. the eligibility requirements to receive a Good Driver Discount, section 1861.025 of the CIC;
 - b. the discount percentage of the Good Driver Discount, section 1861.02 of the CIC; and,
 - c. the three principal rating factors for personal auto policies, section 1861.02(a) of the CIC.
- 7. Be able to understand the provisions of the California Amendatory Endorsement and be able identify:
 - a. the permitted reasons for an insurer to cancel or non-renew an automobile policy, sections 1861.03(c)(1) and 661 of the CIC; and,
 - b. the number of days of notice required, section 662 and 663 of the CIC.
- 8. For newly acquired autos, know that:
 - a. A newly acquired auto will have the broadest coverage provided for any vehicle shown in the Declarations, except for collision coverage for damage to your auto;
 - b. If the insured has collision coverage on at least one auto listed on the Declarations page, collision coverage on a newly acquired auto begins on the date the insured becomes the owner. The insured must notify the insurer within 14 days;
 - c. If the insured does not have collision coverage on at least one auto listed on the Declarations page, collision coverage on a newly acquired auto begins on the date the insured becomes the owner, but the insured must request collision coverage within 4 days and a \$500 deductible applies; and,

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- d. If a newly acquired auto is in addition to any vehicle shown in the Declarations, the insured must notify the insurer within 14 days.

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D2. Personal Auto - Liability / Medical / Uninsured Motorist

1. Be able to identify how the policy limits are applied to Liability, Medical, Uninsured Motorist in a given loss situation.
2. For a described loss applying to Part A - Liability, be able to determine the effect of:
 - a. supplementary payments;
 - b. "out of state coverage" (including "financial responsibility" and "no-fault" compliance);
 - c. split limits vs. single limits coverage; e.g. the difference between the per accident limit in a split limit policy and a single limit policy is that in a split limit policy the per accident limit applies only to bodily injury and property damage and the single limit applies to all claims;
 - d. "other insurance"; and,
 - e. the principle - coverage / limitations / exclusions - applying to bodily injury and property damage liability.
3. Be able to identify a described loss applying to Part B - Medical Payments, be able to determine the amount of coverage for each insured.
 - a. the principle – coverage/limitations/exclusions/apply to Part B-Medical Payments
4. For a described loss applying to Part C – Uninsured Motorists, be able to determine the amount of coverage for each insured:
 - a. who is defined as an uninsured motorist;
 - b. the Underinsured Motorists coverage part of the Uninsured Motorist coverage;
 - c. Uninsured Motorist Property Damages; and,
 - d. collision deductible waivers.
5. Under California law be able to identify:
 - a. the policy limits required to comply with the Financial Responsibility Law section 11850.1(b)(1) of the CIC and section 16056 of the CVC;
 - b. the requirement for offering Uninsured Motorists Coverage in policies providing bodily injury liability - and how an insured may reject the

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- coverage section 11580.2(a)(1) of the CIC; and,
- c. Driving History Report (MVR) Issues – Fair Credit Reporting Act.

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D3. Personal Auto - Physical Damage / Miscellaneous

1. In a described loss, be able to identify:
 - a. if the loss is covered and for how much after applying any deductibles;
 - b. the standard basis of valuation for the automobile;
 - c. an insurer's options in making a loss settlement with the insured;
 - d. under what circumstances transportation expenses are reimbursed;
 - e. the coverage for personal effects (none);
 - f. the relationship between Other Than Collision coverage (OTC) and comprehensive coverage (ISO uses newer "OTC", many insurers still use "comprehensive");
 - (1) Know that Other Than Collision coverage is a property insurance coverage.
 - g. under what conditions waiver of collision deductible and uninsured motorist property damage must be offered and the coverage provided by each; and,
 - h. insured's duties after a loss.
2. Be able to identify the purpose of the following:
 - a. Miscellaneous Type Vehicle Endorsement:
 - (1) Limited Mexico Coverage Endorsement;
 - (2) Towing and Labor Coverage.
 - (3) Trust Endorsement
 - (4) Joint Ownership; and,
 - (5) Auto Loan/Lease Endorsement (GAP Coverage)
 - b. Named Non-owner Coverage;
 - c. Extended Non-owned Liability Coverage – Vehicle Furnished or Available for Regular Use;
 - d. Optional Limits - Transportation Expenses Coverage; and,
 - e. Customizing Equipment Coverage (PP 08 18);
3. Be able to identify physical damage.

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

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California Fire and Casualty Broker-Agent Examination

III. D.4. California Automobile Assigned Risk Plan (CAARP)

1. Be able to identify the purpose of CAARP.
2. Be able to identify:
 - a. who is eligible to place business with CAARP;
 - b. the eligibility requirements for applicants;
 - c. how business is placed through CAARP;
 - d. the coverages and limits available and/or required;
 - e. when coverage may be bound; and,
 - f. when commercial risks are also eligible for "assigned risk" coverage.

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D.5. Motorcycles

1. Be able to explain how to insure motorcycles.
2. Know that motorcycles generally are not covered by a Personal Auto Policy and generally cannot be added as an endorsement.
3. Be knowledgeable of specialty motorcycle coverage and be particularly aware of common limitations in the area of medical payments and uninsured motorist.

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D.6. Recreational Vehicles

1. Know that for Recreational Vehicles endorsements can be added to a Personal Auto Policy (PAP) to provide coverage:
 - a. understand the different types of Recreational Vehicles; and,
 - b. be able to explain the difference between coverage available for recreational vehicles (e.g. motorhomes vs. quad)

III. PERSONAL LINES INSURANCE

III. E. Umbrellas and Excess Liability Insurance

1. Be able to identify:
 - a. the major function of these policies;
 - b. the difference between umbrella and excess policies; and,
 - c. the benefits of umbrella and excess liability insurance.

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2. Be able to identify:
 - a. underlying policies that are commonly required (by the umbrella insurer) to be maintained;
 - b. what a self-insured retention is and how it is applied to a loss; and,
 - c. Standardized Umbrella policies and their availability.

III. PERSONAL LINES INSURANCE

III. F. Low-Cost Automobile Insurance

1. Be able to identify:
 - a. low-cost automobile insurance;
 - b. the costs for this insurance;
 - c. eligibility to purchase low-cost automobile insurance;
 - d. the cancellation and renewal procedures for low-cost automobile insurance; and,
 - e. the coverages and limits available.

III. PERSONAL LINES INSURANCE

III. G. New Developments - Personal Lines

The purpose of this section is to remind providers and students that there may be new developments in Fire and Casualty Broker-Agent legislation and laws.

IV. HOMEOWNERS' INSURANCE VALUATIONS (2 percent of questions) **(Section 1749.85 of the CIC)**

IV. A. General Concepts

1. Be able to identify what the "standard fire policy" is, perils insured, and its importance to modern personal and commercial property contracts, section 2070 of the CIC.
2. Be able to identify:
 - a. the major coverage differences in the Dwelling and Homeowners programs; and,
 - b. why a dwelling might be insured under a Dwelling Policy rather than a Homeowners (HO) Policy.

IV. B. Dwelling

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1. Be able to identify the major similarities and differences between an HO-3, and HO-5, e.g. the primary difference between HO-3 and HO-5 is coverage C perils.
2. Be able to identify the major similarities and differences of an HO-4 and an HO-6, e.g., HO-4, and HO-6 have similar perils insured against under coverage C.
3. Home Valuations - Replacement costs
 - a. Given sufficient information about an HO property loss being adjusted under the Section I Condition - Loss Settlement, be able to compute:
 - (1) the amount of coverage required to receive full replacement cost coverage; and,
 - (2) the amount that would be paid (at least 80 percent or less than 80 percent of replacement cost);
 - b. Know how a replacement cost policy is paid, e.g. ACV vs. replacement; and,
 - c. Guaranteed and Extended Replacement Cost Options
4. Homeowners' Insurance Endorsements, be able to identify the major effects of the following:
 - a. Guaranteed and Extended Replacement Cost Options, i.e. it is inappropriate to use these endorsements to minimize the amount of coverage provided or sold;
 - b. Ordinance or Law Coverage, know when applicable; and
 - c. Dwelling Limitations
 - (1) Premises liability
 - (2) Loss of Rent

IV. C. Earthquake Coverage

1. Be able to identify the advantages / disadvantages (if any) of:
 - a. obtaining this coverage by a separate policy vs. endorsement to property policy;
 - b. single limit of coverage vs. multiple limits (e.g. Homeowners policy); and,
 - c. reduced coverage policies.

IV. D. California Fair Access To Insurance Requirements (FAIR) Plan

1. Be able to identify the marketplace needs met by the California FAIR plan, sections 10090 and 10091 of the CIC.
2. Be able to identify the two different types of areas served by the California FAIR

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plan.

3. Be able to identify which of a described group of applicants would be eligible for coverage under the plan.
4. Be able to identify who is eligible to submit applications to the FAIR Plan and the extent of their binding authority section 10093(a) of the CIC (Also FAIR Plan rules).
5. Be able to identify the meaning of “basic property insurance” as defined in section 10091(c) of the CIC).

V. COMMERCIAL COVERAGES (27 percent of questions)

V. A. ISO Commercial Package Program

1. Be able to identify:
 - a. a description of the modular concept as used in the Commercial Package Program; and,
 - b. the major common modules used in all policies.
2. Be able to identify and apply definitions of the following Common Policy Conditions: Cancellation, Changes / Examination of Your Books and Records / Inspections and Surveys / Premiums / Transfer of Rights and Duties / First Named Insured.
3. For package policies, be able to identify:
 - a. the minimum requirements for a package policy (modules & coverages);
 - b. the advantages to insureds; and,
 - c. that the same coverages may be written on a monoline basis.
4. Be able to identify and know the importance of understanding the California Amendatory Endorsements.
5. “you,” “your,” and “we,”
 - a. Know that “you” in a commercial property policy means named insured;
 - b. Know that “Your” refers to only the named; Insured(s) shown in the declaration; and,
 - c. Know that “we,” “us” and “our” refer to the insurer providing insurance.

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V. COMMERCIAL COVERAGES

V. B. Commercial Property

V. B1. Commercial Property - General

1. Be able to identify and apply definitions from the Commercial Property Conditions.

V. COMMERCIAL COVERAGES

V. B. Commercial Property

V. B2. Building and Personal Property Coverage Form

1. Be able to recognize the principal types of Covered Property and the valuation basis for:
 - a. Building (dwellings not eligible);
 - b. Business Personal Property including improvements and betterments; and,
 - c. Personal Property of Others, e.g. know that under the Commercial Property Coverage Form, personal property of others is excluded if the property is being transported by the insured.
2. Be able to identify the purpose of a Value Reporting Endorsement.
 - a. Know that the Value Reporting Form may be used to modify the insurance provided by the Building and Personal Property Coverage Form; and,
 - b. Know that 75 percent is the most that will be paid in the event of a loss if the insured has made no reports of value as required.
3. Be able to recognize:
 - a. Additional Coverages; and,
 - b. Coverage Extensions.
4. Under Loss Conditions – Vacancy, be able to recognize:
 - a. the definition of vacancy and understand the definition for the tenancy of the vacancy; e.g. know that personal property is considered vacant when there is insufficient business personal property present to conduct customary operations and/or 70 percent of the total square footage is not rented or used to conduct customary operations.
 - b. what effect this condition has on the policy; e.g. a vandalism loss under a Building and Personal Property Coverage Form is excluded if the insured building has been vacant for more than 60 consecutive days; and,
 - c. the effect of attaching a vacancy permit to a policy:
 - (1) Know the perils in the vacancy permit endorsement include

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vandalism and attempted theft, sprinkler leakage and building glass breakage.

- (2) If a vacancy permit endorsement is added to a Building and Personal Property Coverage form, be able to recognize that the vacancy condition under the basic policy is waived during the period.
- 5. Be able to:
 - a. identify reasons for coinsurance (advantages / disadvantages to the insured); and,
 - b. apply co-insurance to a described loss.
- 6. Be able to recognize for coinsurance purposes, the fair market value may be used to determine the actual cash value of a commercial building.

V. COMMERCIAL COVERAGES

V. B. Commercial Property

V. B3. Causes of Loss Form(s)

- 1. Be able to recognize situations in which the rights of a mortgage holder are protected, even if an insured's claim is denied.
- 2. Be able to identify the purpose of the (Basic, Broad, and Special) Causes of Loss Forms and the major differences between the perils insured:, e.g. know for instance that Windstorm is a covered peril under the Basic, Broad, and Special Cause of Loss Form(s). Other coverages may not be covered under all three forms.
- 3. Know that most of the exclusions are contained in the Causes of Loss Form(s) of the Commercial Property policy.
- 4. In the Causes of Loss coverage part(s), Section B - Exclusions, be able to identify the following excluded loss causes:
 - a. ordinance or law;
 - b. earth movement; e.g. know that the earth movement exclusion applies to landslides, mine subsidence and earth tremors caused by a volcanic eruption; and,
 - c. water, e.g. know the water damage exclusion in the Causes of Loss Special Form applies to sewer backup, tidal waves, and flood.

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V. COMMERCIAL COVERAGES

V. B. Commercial Property

V. B4. Property Indirect Damage Insurance

1. Be able to recognize definitions of Business Income and Extra Expense and that both are covered by the Business Income (and extra expense) coverages form.
2. Be able to identify that coverage is only activated if there is direct physical loss to property at the described premises by a covered peril.
 - a. There needs to be a complete suspension of operation for the Business income to be triggered.
3. Be able to recognize situations in which a business would need Business Income and/or Extra Expense coverage.
4. The Business Income declaration shows which causes of loss are covered.
5. Be able to identify situations in which a business would need Business Income from Dependent Properties.
6. Understand the differences between extra expense needs and expediting (business interruption) coverage.

V. COMMERCIAL COVERAGES

V. B. Commercial Property

V. B5. Other endorsements

1. Be able to identify why the following forms or coverage options might be used:
 - a. Leasehold Interest;
 - b. Blanket, Specific, Schedule Insurance, Agreed Value;
 - c. Ordinance or Law Coverage;
 - d. Glass Coverage;
 - e. Extended Period of Indemnity; and,
 - f. Terrorism Exclusions
2. Be able to identify the purpose of a "Builder's Risk" form. Know that the coinsurance requirement on a Builder's Risk form is 100 percent of the completed value.

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V. COMMERCIAL COVERAGES

V. C. LIABILITY CONCEPTS

V.C. 1. Claims Made

1. Be able to identify the difference in the coverage triggers between an occurrence policy and a claims-made policy.
2. Be able to recognize why some policies are written on a claims-made basis.
3. Be able to apply the definitions of the following terms:
 - a. Retroactive Date;
 - b. Prior acts coverage (retro date not specified);
 - c. Tail coverage (mini, midi, and maxi [SERP]); and,
 - d. Know that the Basic Extended Reporting Period begins when the policy period ends and is activated when the policy is cancelled or non-renewed.

V. COMMERCIAL COVERAGES

V. D Commercial General Liability (CGL)

V. D1. Commercial General Liability (CGL) - General

1. Be able to identify:
 - a. the term "general liability"; and,
 - b. general types of loss exposures insured or left for other contracts to insure.
2. Be able to identify the kinds of limits that are listed in the Declarations and the Limits of Insurance section and how they apply.

V. COMMERCIAL COVERAGES

V. D. Commercial General Liability

V. D2. CGL Coverage Form (Occurrence)

1. Based on the Commercial General Liability Coverage Form, be able to identify and apply:
 - a. be able to identify and apply the insuring agreement for coverage A, B,C.
 - b. the definitions of:
 - (1) occurrence;
 - (2) products-completed operations;
 - (3) insured contract;
 - (4) coverage territory;
 - (5) personal and advertising injury;
 - (6) bodily injury;

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- (7) property damage;
 - (8) automobile and mobile equipment;
 - (9) employee;
 - (10) leased employee; and,
 - (11) temporary employee
- 2. Be able to identify both the effect of the following exclusions, and alternative forms of insurance coverage.
 - a. Liquor Liability;
 - b. Workers' Compensation;
 - c. Pollution;
 - d. Automobile;
 - e. Care, Custody and Control - Property Damage;
 - f. Recall Exclusion; and,
 - g. Expected and Intended.
- 3. Be able to understand who is an insured under the common endorsements.
- 4. Common Endorsements:
 - a. Employment practices liability;
 - b. Terrorism Exclusions; and,
 - c. Microbial Matter Exclusions.

V. COMMERCIAL COVERAGES

V. D3. Professional Liability

- 1. Be able to recognize reasons why professional liability losses aren't covered under CGL policies:
 - a. because of applicable exclusions;
 - b. because the loss is not:
 - (1) a bodily injury;
 - (2) property damage;
 - (3) personal injury; and,
 - (4) advertising injury.
- 2. Be able to identify the professional occupations commonly insured by professional liability policies.
- 3. Be able to identify what is covered by Professional Liability Policies that are not covered by a CGL policy.

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4. Be able to identify the triggers of coverage common to professional liability.
 - a. Claims made;
 - b. Claims made and reported; and,
 - c. Occurrence (exceedingly rare).

5. Be able to understand the defense provision in a Professional Liability policy and how it differs from a CGL policy:
 - a. Employers' exposure to loss;
 - b. Common perils insured;
 - c. Who is an insured;
 - d. What losses are excluded;
 - e. Employment practices liability; and,
 - f. Fiduciary Liability.

V. COMMERCIAL COVERAGES

V. D. Professional Liability

V. D4. Management Liability

1. Directors and Officers Liability
 - a. Be able to understand exposures to loss for profit and non-profit organizations;
 - b. Be able to understand the three common insuring agreements;
 - c. Be able to understand who is an insured; and,
 - d. Be able to understand the exclusions within a policy.

2. Employment practices Liability
 - a. Be able to understand who are not covered; and,
 - b. Be able to understand what losses are excluded.

V. COMMERCIAL COVERAGES

V. E1. Umbrella and Excess Liability

1. Be able to identify:
 - a. the major functions of these policies;
 - b. the absence of standard policies; however, there is an ISO form but most carriers have developed their own form with unique coverage;
 - c. the difference between umbrella and excess policies;
 - d. underlying policies that are commonly required (by the umbrella insurer) to be maintained; and,
 - e. what a self-insured retention is and how it is applied to a loss.

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V. COMMERCIAL COVERAGES

V. E. 2. Commercial Crime

1. Be able to differentiate between "theft," "burglary," and "robbery" as defined in crime insurance contracts.
2. Be able to identify the following crime coverages and recognize why a business would need to purchase them:
 - a. employee theft;
 - b. theft of money and securities; and,
 - c. theft of money and securities.
3. Be able to differentiate between the discovery and loss sustained forms.
 - a. Know that the loss sustained type of crime coverage would pay for losses which occur during the policy period and are found for up to one year after the policy is terminated; and,
 - b. Know that the discovery type of crime policy would pay for a loss which is found during the policy period even if the loss occurs prior to the effective date of the policy.
4. Know that certain people are not covered under the policy including officers, employees, and independent contractors.

V. COMMERCIAL COVERAGES

V. F. Equipment Breakdown Protection Coverage (aka – Boiler and Machinery)

1. Be able to identify why an insured might need Boiler and Machinery (also known as Equipment Breakdown Coverage) coverage even if they have commercial property insurance with Causes of Loss - Special Form.

V. COMMERCIAL COVERAGES

V. G. Commercial Inland Marine

1. Be able to identify:
 - a. why an insured might need Inland Marine (IM) coverage;
 - b. common types of property insured using the Commercial Package Policy IM coverage part (e.g. transit, cargo, equipment); and,
 - c. Know that a release bill of lading limits the carrier's liability on the shipment for the common carrier.
2. For filed forms used with the Commercial Lines Program, be able to identify:
 - a. the perils commonly insured ("open perils"); and,

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- b. the most common exclusions.
- 3. Be able to understand the major reasons for considering an Electronic Data Processing policy.

V. COMMERCIAL COVERAGES

V. H. Commercial Auto

V. H1. Business Auto Coverage - Business Auto Policy (BAP)

- 1. Be able to identify why the following coverages might be needed by an insured:
 - a. owned autos;
 - b. hired autos; and,
 - c. non-owned autos.
- 2. Be able to identify each of the following symbols used to specify covered autos on the BAP declaration page: 1, 2, 3, 4, 7, 8, 9 and, 19.
- 3. Be able to understand the “who is insured” provision of the policy.
- 4. Be able to identify the effect of the following exclusions and alternative methods of providing insurance coverage:
 - a. Workers' Compensation;
 - b. “Operations” and “Completed Operations”;
 - c. Pollution;
 - d. Care, Custody and Control - Property Damage; and,
 - e. Fellow employee.
- 5. Be able to identify the principal physical damage coverages.
- 6. Be able to identify the effect of the following endorsements:
 - a. Individual Named Insured endorsement; and,
 - b. Drive Other Car Coverage-Broadened Coverage for Named Individuals.

V. COMMERCIAL COVERAGES

V. H. Commercial Auto

V. H2. Garage Auto Coverage

- 1. Garage Liability covers Garage Operations; be able to identify:
 - a. the definition of Garage Operations;
 - b. the four major coverages provided by Garage Liability; and,
 - c. reasons for insuring with Garage Liability rather than using General

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Liability plus Commercial Auto coverage.

2. Be able to distinguish between losses covered by Garagekeepers Legal Liability and Garagekeepers Direct Coverage (primary or excess).

V. COMMERCIAL COVERAGES

VH. Commercial Auto

V. H3. Truckers Coverage

1. Be able to identify:
 - a. the definition of "trucker" and the general scope of the Motor Carrier Act of 1980;
 - b. why a separate automobile program was developed for motor carriers; and,
 - c. that except for a few important specialized coverages, and a few other changes, this coverage corresponds to the BAP.

V. COMMERCIAL COVERAGES

V. I. Farm

1. Be able to identify that Farm insurance can be written on a monoline or package policy providing:
 - a. both personal and commercial coverages; and,
 - b. liability and property coverages.
2. The Federal Government Crop Insurance Program for Crop Insurance, be able to identify:
 - a. why the coverage may be needed;
 - b. the major perils commonly insured; and,
 - c. the role of the federal government.

V. COMMERCIAL COVERAGES

V. J. National Flood – Commercial

1. Be able to identify the definition of a flood.
2. Be able to identify the principal commercial flood coverages.
3. Be able to recognize that business income and extra expense are not available through the National Flood Insurance Program (NFIP).

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4. Be able to identify that producers have no binding authority with the NFIP.
5. Know that in order to place flood insurance through the NFIP the three-hour training must be completed before submitting the policy as stated in Section 207 of Flood Insurance Reform Act of 2004.

V. COMMERCIAL COVERAGES

V. K. Businessowners

V. K1. Businessowners - General

1. Be able to identify the:
 - a. purpose of this program;
 - b. mandatory coverages; and,
 - c. categories of eligible businesses.

V. COMMERCIAL COVERAGES

V. K. Businessowners

V. K2. BOP Property Coverages

1. Be able to differentiate between the coverage provided by the Standard and Special forms.
2. Be able to differentiate between the perils covered in the BOP policies and the commercial property policy.
3. Be able to identify important additional coverages included in the BOP that would have to be added to the Commercial Property Policy.

V. COMMERCIAL COVERAGES

V. K. Businessowners

V. K3. BOP Liability Coverages

1. Be able to identify that the coverage and exclusions are similar to that provided by coverages A, B, C of the CGL form.
2. Be able to identify how the limits of liability of the BOP policy differ from the CGL policy.

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V. COMMERCIAL COVERAGES

V. L. Ocean Marine

1. Be able to differentiate between cargo, hull, freight, and protection and indemnity coverage.
2. Be able to recognize the sources of claims for which Protection and Indemnity insurance provides coverage:
 - a. Jones Act;
 - b. USL&H Act; and,
 - c. Defense Base Act.

V. COMMERCIAL COVERAGES

V. M. Surety Bonds (and General Bond Concepts)

1. Be able to differentiate between the three parties involved in a surety bond.
2. Be able to identify differences between surety bonds and insurance policies with regard to loss payments.
3. Be able to identify the differences between contracts, financial guarantee and faithful performance bonds.

V. COMMERCIAL COVERAGES

V. N. Worker's Compensation - General Concepts

1. Be able to identify the effect on the legal relationship between employer, employee and independent contractor that was intended when worker's compensation laws were written.
2. Be able to identify situations where law requires worker's compensation coverage and the methods used to provide the coverage.
3. Be able to describe the California State Compensation Insurance Fund. (SCIF) and § 11770 et seq. of the California Insurance Code).
 - a. Who may place business with it, section 11784 of the CIC; and,
 - b. Why would you place business with SCIF.
4. Be able to identify the different types of benefits provided:
 - a. Medical;
 - b. Disability;
 - c. Death; and,

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- d. Supplemental job benefits.
- 5. Be able to identify that covered medical expenses do not have time or dollar limits:
 - a. identify the limits for physical therapy; and,
 - b. identify the limits for chiropractic services.
- 6. Be able to identify what Employers Liability coverage is and why it is necessary in addition to workers' compensation, section 11750.1 (f) of the CIC.
- 7. Be able to identify and apply a definition of the Other States Insurance section of the policy, section 11780.5 of the CIC.
- 8. Be able to identify the voluntary compensation endorsement.
- 9. Be able to identify what is meant by the term "24 Hour coverage," section 1749.02 of the CIC.
- 10. Be able to identify the California rating system and the purpose of the experience modification system.
- 11. Be able to identify that the Workers' Compensation policy does not cover any federal workers' compensation or employers liability laws:
 - a. Jones Act;
 - b. USL & H; and,
 - c. Defense Base Act.

V. O. COMMERCIAL LINES

V. O. New Developments - Commercial Lines

- 1. The purpose of this section is to remind providers and students that there may be new developments in Commercial Lines legislation and laws.
- 2. Insurance Products and Services - be able to know what it is and that there is insurance available to transfer risk:
 - a. cyber;
 - b. identity theft; and,
 - c. intellectual property.

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VI. HEALTH and DISABILITY INSURANCE (5 percent of questions, includes Long Term Care)

VI. A. Health and Disability Insurance - General

1. Be able to identify and/or apply your understanding of the following:
 - a.

morbidity	extension of benefits	waiting period
elimination period	probationary period	deductible
preexisting conditions	corridor deductible	copayment
coinsurance	stop-loss provision	waiver of premium
gatekeeper concept	accident vs. sickness	managed care
 - b. master policy owner.
 - c. policies - cancellation and renewability features (e.g. cancelable, noncancelable, guaranteed renewable, noncancelable-guaranteed renewable).
2. Be able to identify and differentiate between the major kinds of insurance mechanisms:
 - a. Indemnity type (e.g. Insurers, MET's, Preferred Provider Organization (PPO's), EPO's);
 - b. Consumer Directed Healthcare (e.g. HRA, HSA compatible plans);
 - c. Self funding; and,
 - d. Other (e.g. associations, franchises, trusts).
3. Be able to identify the advantages and disadvantages of individual vs. group coverage.
4. Be able to identify what constitutes eligibility for "group" coverage (e.g. employer and employee relationship, associations, franchise):
 - a. waiting period; and,
 - b. probationary period.
5. With respect to group programs, be able to identify the following terms:
 - a. contributory vs. non contributory;
 - b. blanket policies;
 - c. occupational vs. nonoccupational;
 - d. third party administrator; and,
 - e. coordination of benefits.
6. Be able to identify:
 - a. the types of providers (physicians, hospitals, urgent care centers, home health care etc.); and,
 - b. provider contracts (e.g. PPO's, HMO's, EPO's).

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7. Be able to identify a definition of the following limited insurance policies:
 - a. travel accident;
 - b. specified or dread disease and critical illness;
 - c. hospital income and hospital confinement indemnity;
 - d. accident only;
 - e. credit;
 - f. blanket; and,
 - g. health
8. Be able to describe the ways how limited benefit plans are paid:
 - a. policies that provided benefits for expenses incurred for an accidental injury only;
 - b. policies that pay fixed dollar amounts for specified diseases or other specified impairments;
 - c. policies that provide benefits for specified limited services; and,
 - d. indemnity policies and other policies that pay a fixed dollar amount per day, excluding long term care policies.
9. Be able to identify other sources of coverage that should be considered when determining a family's health or disability insurance needs (e.g. workers compensation, social security, Medicare, work related benefits, etc).

VI. HEALTH AND DISABILITY INSURANCE

VI. B. Medical Expense Insurance

1. Be able to identify the:
 - a. types of plans (e.g. Basic, Comprehensive Major Medical, Supplemental Major Medical);
 - b. plan structure (Health Maintenance Organization, Preferred Provider Organization, Exclusive Provider Organization, Self Funding, Indemnity, Dual Choice Plans);
 - c. types of plans:
 - (1) Point of Service (POS);
 - (2) Medical Savings Accounts (MSAs);
 - (3) Flexible Spending Accounts (FSAs);
 - (4) Health Reimbursement Accounts (HRAs);
 - (5) High Deductible Health Plans (HDHPs) and Health Savings Accounts (HSAs);
 - (6) Consumer Driven Health Plans (CDHPs); and,
 - (7) Employer self-funded health plans.
 - d. benefit structure (Scheduled or Usual, Customary, Reasonable);

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- e. other coverages:
 - (1) Dental;
 - (2) Vision;
 - (3) Prescription Drug Card; and,
 - (4) Supplemental Accident)
 - f. contract issues and clauses (Family Deductible, Grace Period, Waiting Periods, Pre-existing conditions, Elimination Periods, Right to terminate, Coordination of Benefits, Take-over Benefits - coinsurance & deductible carryover; - no loss, no gain, First dollar coverage, Restoration of Benefits);
 - g. extension of benefits (Consolidated Omnibus Budget Reconciliation Act (COBRA) and Cal-COBRA, family or medical leave, maternity); and,
 - h. exclusions and limitations.
2. Be able to identify that the Department of Insurance has jurisdiction over entities that provide coverages designed to pay for health care providers' services and expenses unless the health care providers are appropriately licensed or certified by other governmental agencies, section 740 of the CIC.
3. Be able to identify how and why each of the following applies to eligibility and/or rating factors to affect rating structures:
- a. demographics (gender, age, occupation);
 - b. industry;
 - c. location, zip code;
 - d. carrier history;
 - e. medical history:
 - (1) chronic or ongoing conditions;
 - (2) catastrophic conditions;
 - (3) pregnancies; and,
 - (4) disabled employees and dependents (not actively at work, Extended benefits of a former carrier);
 - f. contribution (policy – contributing, non-contributing); and,
 - g. participation (employees & dependents – covered, eligible).
4. Be able to identify the regulatory requirements for group insurance:
- a. eligible groups and insureds, section 10202 of the CIC;
 - b. dependents of insured employees, section 10203.4 of the CIC;
 - c. types of policies and premiums, section 10200 of the CIC;
 - d. incontestability, section 10206 of the CIC;
 - e. war, military, and aviation risk, section 10206.5 of the CIC;
 - f. misstatement of age, section 10208 of the CIC;

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- g. certificate of insurance, section 10209 of the CIC;
 - h. conversion privilege, section 10209 of the CIC;
 - i. conversion period coverage, section 10209 of the CIC; and,
 - j. blanket insurance, sections 10220 and 10222 of the CIC.
5. Be able to identify the impact of statutory legislative issues on the health industry:
- a. Employee Retirement Income Security Act (ERISA);
 - b. Consolidated Omnibus Budget Reconciliation Act (COBRA);
 - c. Americans with Disabilities Act (ADA);
 - d. Family and Medical Leave Act (FMLA);
 - e. maternity;
 - f. Health Insurance Portability and Accountability Act (HIPAA); and,
 - g. Cal-COBRA.

VI. HEALTH AND DISABILITY INSURANCE

VI. C. Health Insurance and Counseling Advocacy Program (HICAP)

1. For HICAP, be able to identify:
- a. who the program serves
 - (1) for Medicare patients and families;
 - b. its function (free assistance, education, consumer advocacy, legal assistance);
 - c. Department of Aging and local area agencies on aging;
 - d. how to locate a local program (www.calmedicare.org); and,
 - e. the statewide toll free number 800-434-0222.

VI. HEALTH AND DISABILITY INSURANCE

VI. D. Disability Income Insurance

1. For disability income insurance be able to identify:
- a. the need for the coverage;
 - b. definitions of partial and total disability (including Social Security definition) and eligibility requirements;
 - c. the difference between occupational and nonoccupational coverage;
 - d. how federal income tax applies to payments; and,
 - e. reasons for insurer limitations on coverage amounts.
2. Be able to identify the uses of Disability Income:
- a. individual disability income policy;
 - b. business overhead expense policy;
 - c. business disability buyout policy;

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- d. group disability income policy; and,
 - e. key employee and partner policies.
3. Be able to identify how and why each of the following applies to eligibility and/or rating factors to influence rating structures:
- a. age;
 - b. gender;
 - c. income requirement and “elimination period;”
 - d. job classification;
 - e. avocation;
 - f. health (past and present);
 - g. waiting period; and,
 - h. probationary period.
4. Be able to identify the effect of taxes on the participants and on sponsors of the following:
- a. group;
 - b. individual; and,
 - c. franchise.
5. Be able to identify each of the following provisions or riders:
- a. maximum and minimum benefits;
 - b. notice of claim;
 - c. automatic increase provision;
 - d. beneficiary;
 - e. own occupation;
 - f. cost of living rider;
 - g. benefit period;
 - h. Social Security benefit rider;
 - i. benefit integration;
 - j. residual;
 - k. rehabilitation;
 - l. recurring disability;
 - m. transplants;
 - n. standard exclusions and limitations; and,
 - o. return of premium rider.

VI. HEALTH and DISABILITY INSURANCE

VI. E. Senior Health Products

VI. E. Medicare and Medi-Cal

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1. For Medicare Products, be able to identify who is eligible for coverage:
 - a. age 65;
 - b. Social Security Disability (SSDI) – two years; and,
 - c. End Stage Renal Disease (ESRD).
2. Be able to identify Medicare Products:
 - a. Original Medicare;
 - b. Medicare Advantage plan:
 - (1) HMO and PPO models;
 - (2) Private Fee For Service plans (PFFS);
 - (3) Special Needs Plans (SNP); and,
 - (4) Demonstration Plans for ESRD or chronic or serious medical conditions; and,
 - c. Medicare prescription drug plans.
3. For Medicare Part A (Hospital Insurance), be able to define:
 - a. Benefits.
 - (1) Inpatient coverage – hospital and skilled nursing care;
 - (2) Benefit period;
 - (3) Deductibles; and,
 - (4) Co-payments.
4. For Medicare Part B (Medical Insurance), be able to define:
 - a. Enrollment (and that a monthly premium is required)
 - (1) know that enrollment in Medicare Part B can be delayed when employer coverage is primary due to the *active employment* of the individual at age 65 (or younger than 65 with ESRD), or their spouse, or a parent of a disabled dependent;
 - b. Benefits;
 - (1) Medical and health services; and,
 - (2) Physicians and surgeons;
 - c. Deductibles; and,
 - d. Coinsurance.
5. For Medicare Part C (Medicare Advantage) be able to describe the managed care aspects of the coverage health care organizations provide coverage.
6. For Medicare Part D (Prescription Drug Plan) be able to identify:
 - a. Coverage is optional – Penalties for non-creditable coverage; and,
 - b. Premiums, deductibles and co-payments.

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7. Be able to identify how Medicare enrollment periods:
 - a. Initial Enrollment Period (IEP);
 - b. Annual Enrollment Period (AEP);
 - c. Open Enrollment Period (OEP); and,
 - d. Special Enrollment Period (SEP).

8. Be able to identify how Medicare claims payments are handled in the Original Medicare Fee for Service program:
 - a. How Medicare claims are submitted;
 - b. "Medicare assignment" vs. non-assignment;
 - c. Contracted participating providers and suppliers;
 - d. Medicare providers required to submit claims;
 - e. What information is provided by a "Medicare Summary Notice" (MSN);
 - f. Exclusions; and,
 - g. Rights of Appeal.

9. With regard to Medicare Supplement Policies, be able to identify:
 - a. The NAIC standardized Medicare Supplement policies and the gaps in Medicare coverage they are designed to fill:
 - (1) A through J including high deductible plans;
 - (2) K and L; and,
 - (3) Medicare Select plans;
 - b. California Insurance Code (CIC) requirements regarding the following:
 - (1) Benefits required in each standardized plan, section 10192.8 of the CIC and Medicare Select plans, section 10192.10 of the CIC:
 - (i) know that insurers offering Medigap policies must offer Medicare Supplement Plan A that contains only the core benefits;
 - (ii) open enrollment period described in section 10192.11 and application to 10192.18 application questions in the CIC;
 - (iii) Guaranteed Issue periods described in section 10192.12 and application questions of the CIC;
 - (iv) permitted commissions, section 10192.16 of the CIC; and,
 - (v) appropriate sales and replacement, section 10192.20 of the CIC.

10. For Medi-Cal, be able to identify:
 - a. Purpose; and,
 - b. Eligibility – who is eligible, including those with a Share of Cost.

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VII. LONG TERM CARE (included in VI. Health and Disability Income Insurance)

VII. A. Long Term Care, section 10231 of the CIC

1. Regarding long term care Insurance, be able to identify:
 - a. why this coverage might be needed (Medicare limitations, Medi-Cal eligibility);
 - b. evaluations to make before purchasing;
 - c. the types of benefits available (nursing home, assisted living, home care, hospice, respite care, adult day care);
 - d. the triggers for benefits;
 - e. ways to issue contracts (individual, group, endorsement to life policy);
 - f. types of contract limits (daily benefits and policy maximum limits); and,
 - g. guaranteed renewability and rate increases.
2. Be able to identify the California Insurance Code requirements regarding long term care policies:
 - a. long term care Insurance definition;
 - b. Nursing Facility and Residential Care Only, Home Care, Comprehensive Policy, section 10232.1 of the CIC;
 - (1) know that the following are standard levels of care:
 - (i) skilled nursing care;
 - (ii) intermediate nursing care;
 - (iii) non-skilled nursing care;
 - (iv) assisted living;
 - (v) personal care;
 - (vi) home health care;
 - (vii) home care; and,
 - (viii) community based.
 - c. suitability standards;
 - d. marketing standards and responsibilities including Health Insurance Counseling and Advocacy Program (HICAP), section 10234.93 of the CIC;
 - e. honesty, good faith and fair dealing, section 10234.8 of the CIC;
 - f. requirement to offer inflation protection and signed rejection, sections 10237.1 and 10237.5 of the CIC;
 - g. types of policies:
 - (1) tax qualified;
 - (2) non-tax qualified; and,
 - h. California Partnership for Long-Term Care.
3. Consumer protection regarding long-term care insurance:

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- a. Be able to identify the provisions about duty of honor, good faith, and fair dealing, section 10234.8 of the CIC;
- b. Be able to identify the provisions about replacement of long term care insurance unnecessarily, section 10234.85 of the CIC;
- c. Be able to identify the provisions about advertisement and the “cold lead device” disclosure, section 10234.9(c) of the CIC; and,
- d. Be able to identify the provisions about replacement coverage, sections 10234.97(a) and (b) of the CIC.

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APPENDIX A

Ethics and California Insurance Code (12 hour) Educational Objectives

The "General" Ethics and California Insurance Code educational objectives that apply to all lines of authority appear below. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.

I. GENERAL INSURANCE

I. A. Basic Insurance Concepts and Principles

1. Be able to identify examples of insurance (as defined in section 22 of the CIC.)
2. Be able to identify the definition of insurable events, section 250 of the CIC.

I. GENERAL INSURANCE

I. B. Contract Law

1. Be able to identify the term "insurance policy," section 380 of the CIC.
2. Be able to identify the meaning and effect of each of the following on a contract:
 - a. fraud, sections 338 and 1871.1 through 1871.4 of the CIC;
 - b. concealment, sections 330 through 339 of the CIC;
 - (1) Be able to identify information that does not need to be communicated in a contract: section 333 of the CIC;
 - (i) known information;
 - (ii) information that should be known;
 - (iii) information which the other party waives;
 - (iv) information that is not material to the risk; and,
 - c. warranty, section 440 through 445 and 447 of the CIC;
 - (1) know that a representation in an insurance contract qualifies as an implied warranty;
 - d. materiality, section 334 of the CIC;
 - (1) know that the materiality of concealment is the rule used to determine the importance of a misrepresentation;
 - e. representations, sections 350 through 361 of the CIC;
 - (1) know when a representation can be altered or withdrawn, section 355 of the CIC;
 - (2) know that a representation is false when the facts fail to correspond with its assertions or stipulations, section 358 of the CIC; and,

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- f. misrepresentation, sections 780 through 784 of the CIC.
- 3. Be able to identify six required specifications for all insurance policies, section 381 of the CIC.
 - a. know that the financial rating of the insurer is not required to be specified in the insurance policy, section 381 of the CIC.
- 4. Be able to identify:
 - a. the meaning of the term rescission; and,
 - b. when an insurer has the right of rescission, sections 331, 338, 359, and 447 of the CIC.
 - (1) know that either intentional or unintentional concealment entitles an injured party to rescission of a contract, section 331 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C1. Distribution Systems

- 1. Be able to identify a definition of the following marketing systems:
 - a. agency;
 - b. direct response;
 - c. home service.

I. GENERAL INSURANCE

I. C The Insurance Marketplace

I. C2. Producers

- 1. Be able to identify the Code definition of transact and why the definition is important, sections 35, 1621 through 1624, 1631, and 1633 of the CIC.
- 2. Be able to identify what constitutes transaction of insurance, section 35 of the CIC:
 - a. solicitation, section 35(a) of the CIC;
 - b. negotiation, section 35(b) of the CIC;
 - c. execution of a contract of insurance, section 35(c) of the CIC; and,
 - d. Transaction of matters subsequent to and arising out of a contract of insurance, section 35(d) of the CIC.
- 3. Be able to identify:
 - a. that the Code prohibits certain actions by unlicensed persons, section 1631 of the CIC; and,

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- b. the penalty for such ("a." above) prohibited actions, section 1633 of the CIC.
- 4. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
 - a. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033; and,
 - b. Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.
- 5. Be able to identify the differences between the terms agent and broker with respect to their relationship with insurers and with their insureds:
 - a. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life insurance, section 31 of the CIC;
 - b. insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life with, but not on behalf of, an insurer, section 33 of the CIC; and,
 - c. know that there is no life broker or health broker.
- 6. Be able to identify the Code provisions regarding an accident and health agent acting as an agent for an insurer for which the agent is not specifically appointed, section 1704.5 of the CIC.
- 7. Be able to differentiate between an insurance agent, an insurance broker and an insurance solicitor, sections 31, 1621, 33, 1623, 34, and 1624 of the CIC.
- 8. For Insurance Agent's Errors & Omissions insurance, be able to identify:
 - a. the types of coverages available;
 - b. the types of losses commonly covered and not covered; and,
 - c. the need for the coverage.
- 9. Be able to identify acts prohibited (unless a surplus lines broker) with regard to nonadmitted insurers, section 703 of the CIC.
- 10. Be able to identify the prohibitions of free insurance, section 777.1 of the CIC.
- 11. Be able to identify the Code requirements for the following:
 - a. an agency name, use of name, sections 1724.5 and 1729.5 of the CIC; and,
 - b. change of address, section 1729 of the CIC;

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12. Be able to identify the rules regarding fictitious names, section 1724.5 of the CIC.
13. Be able to identify the rules regarding Internet advertisements, section 1726 (a) of the CIC.
14. Be able to identify the licensee's duty for disclosure of the effective date of coverage, section 1730.5 of the CIC.
15. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license, sections 1666, 1668-1669, and 1738 of the CIC.
16. Be able to identify the importance and the scope of the California Insurance Code regarding:
 - a. the filing of a notice of appointment, section 1673 and 1704 through 705 of the CIC;
 - b. an inactive license, section 1704a of the CIC; and,
 - c. cancellation of a license by the licensee in the licensee's possession or in the employer's possession, section 1708 of the CIC.
17. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership, sections 1708 through 1712.5 of the CIC.
18. Be able to identify and apply:
 - a. the definition of the term "fiduciary;" and,
 - b. producer fiduciary duties described in the Code, sections 1733 through 1735 of the CIC.
19. Be able to identify the continuing education (CE) requirements for:
 - a. agents, section 1749.3 of the CIC;
 - b. an agent writing Long Term Care Insurance, section 10234.93 of the CIC;
 - c. agents writing California Partnership coverage must meet California long-term care requirements and training requirements on the California Partnership for Long-Term Care (the total hours of CE required are not increased by b. or c); and,
 - d. life-only agents or accident and health agents also licensed as a fire and casualty broker-agent must complete 25 hours of training in the first four 12-month periods for either license.

The following Educational Objective is derived from the codes of ethics of major industry

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organizations and is the basis for licensing examination questions.

20. Be able to identify and apply the meaning of the following:
 - a. place the customer's interest first;
 - b. know your job - and continue to increase your level of competence;
 - c. identify the customer's needs and recommend products and services that meet those needs;
 - d. accurately and truthfully represent products and services;
 - e. use simple language; talk the layman's language when possible;
 - f. stay in touch with customers and conduct periodic coverage reviews;
 - g. protect your confidential relationship with your client;
 - h. keep informed of and obey all insurance laws and regulations;
 - i. provide exemplary service to your clients; and,
 - j. avoid unfair or inaccurate remarks about the competition.
21. Be able to identify that the California Insurance Code (CIC) and the California Code of Regulations (CCR) identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior (CIC, CCR).
22. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews, section 791.03 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C3. Insurers

1. Be able to differentiate between:
 - a. admitted and nonadmitted insurers, sections 24 through 25 of the CIC; and,
 - b. domestic, foreign, and alien insurers, sections 26 through 27 of the CIC;
2. Be able to differentiate between regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers, sections 24, 25, and 1760 through 1780 of the CIC;
3. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, section 703 of the CIC.
4. Be able to identify who may be an insurer, section 150 of the CIC.
 - a. person, association, organization, partnership, business trust, limited liability company or corporation, section 19 of the CIC.

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5. Be able to differentiate between Mutual, Stock and Fraternal insurers.
 - a. know that de-mutualization is a process whereby a mutual insurer becomes a stock company, section 11535 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C4. Market Regulation - General

1. Be able to identify:
 - a. the California Insurance Code and how it may be changed (Code);
 - b. the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code); and,
 - c. how the insurance commissioner is selected and the responsibilities of the position, sections 12900 and 12921 of the CIC.
2. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties, sections 790 through 790.15 of the CIC.
3. Be able to identify the privacy protection provisions of:
 - a. The Gramm-Leach-Bliley Act
 - (1) Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;
 - (2) Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information;
 - b. The California Financial Information Privacy Act (SB1);
 - c. Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties, sections 791 through 791.26 of the CIC;
 - d. Cal-GLBA/"California Financial Information Privacy Act," Section 4050 California Financial Code;
 - e. Health Insurance Portability and Accountability Act (HIPAA).
4. Be able to identify the scope and correct application of the conservation proceedings described in the Code, sections 1011, 1013, and 1016 of the CIC.
5. Be able to define an insolvent insurer, section 985 of the CIC:
 - a. the definition of an insolvent insurer includes either:
 - (1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the

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- provisions of this code for the class, or classes, of insurance that it transacts anywhere; and,
- (2) An inability of the insurer to meet its financial obligations when they are due;
 - b. know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance, sections 985.(a) (1 and 2) of the CIC;
 - c. know the definition of Paid-in Capital, sections 36 and 985 of the CIC; and,
 - d. know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding, section 1013 of the CIC.
6. Be able to identify:
- a. common circumstances that would suggest the possibility of fraud;
 - b. efforts to combat fraud, sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, and 1877.3(b)(1) of the CIC; and,
 - c. that if an insured signs a fraudulent claim form, the insured may be guilty of perjury.
7. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code, sections 1871, 1871.4 of the CIC.
8. Be able to identify the meaning of (as used in the CIC):
- a. shall and may, section 16 of the CIC; and,
 - b. person, section 19 of the CIC.
9. Be able to identify the requirements for notice by mail, section 38 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C5. Fair Claims Settlement Practices Regulations:

- 1. Be able to identify a definition of the following:
 - a. Claimant, Title 10, section 2695.2c. of the CCR;
 - b. Notice of Legal Action, Title 10, section 2695.2o. of the CCR; and,
 - c. Proof of Claims, Title 10, section 2695 2(s) of the CCR;
- 2. Be able to identify File and Record Documentation, Title 10, section 2695.3 of the

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CCR.

3. Be able to identify Duties Upon Receipt of Communications, Title 10, section 2695.5 of the CCR.
4. Be able to identify Standards for Prompt, Fair and Equitable Settlements, Title 10, sections 2695.7a., b., c., g., and h. of the CCR.